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INTERMEDIATE SOCIAL STUDIES
ECONOMICS AND PEOPLE

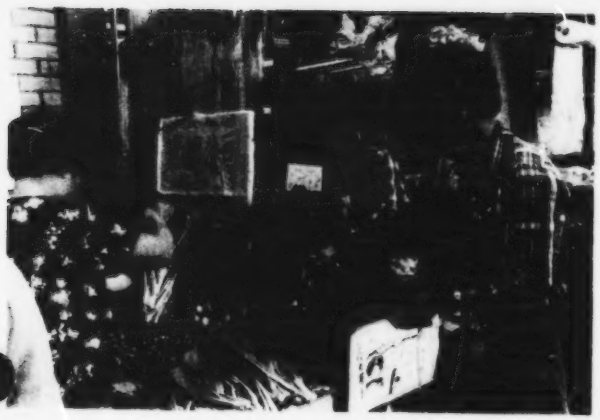
ABE

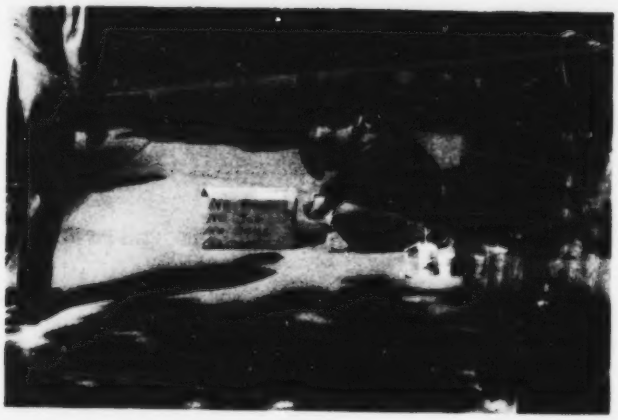
Choices

ADULT BASIC EDUCATION

Economics and People

Choices





Province of British Columbia
Ministry of Advanced Education and Job Training
1988

90-03215/

Canadian Cataloguing in Publication Data

Main entry under title:
Economics and people : choices

(Adult basic education intermediate social studies,
ISSN 0840-4224)

ISBN 0-7718-8659-4

1. Economics. I. British Columbia. Ministry of Advanced Education and Job Training. II. Series.

HB74.5.E362 1988 330 C88-092132-3

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Provincial Curriculum Publications
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P.O. Box 94000
Richmond, B.C. V6Y 2A2
Telephone: (604) 660-2190

Catalogue Order Number:

VA0083

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Preface

Economics and People is one of four modules in Intermediate Social Studies. The other three modules include *Multiculturalism,* which has been developed concurrently with this module, *Canadian Law,* and *Canadian History.* These Social Studies materials are designed to support the current programs and instructors teaching this subject, and to encourage the incorporation of Social Studies into other ABE programs, especially in colleges where it is not taught as a separate subject.

This module was field tested at Malaspina College by Gordon Buzzard, Helen Evans, Ray Hulett, Anne Ingalls, Bob Plecas, and Wayne Lamb. Their help has been greatly appreciated.

The Social Studies Advisory Committee steered the development of the materials and bridged the work done in the *ABE Social Studies Curriculum Guide,* provincial articulation, and this module. Special thanks is given to the members of the Social Studies Advisory Committee:

Gwen Armstrong	Ministry of Advanced Education and Job Training
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Susan Witter, as Project Manager, oversaw simultaneous development of this module and the module on *Multiculturalism,* and co-chaired the Advisory Committee. Co-chair Gordon Buzzard co-ordinated the Instructor's Committee at Malaspina College, and was active in guiding and responding to this module as it developed.

Patricia Keays deserves credit for writing a number of drafts of the *Economics and People* module. The assistance of GT Publishing Services Ltd. in editing and preparing the material for publication is also acknowledged.

The Ministry of Advanced Education and Job Training would like to thank Elaine Briere of Ladysmith for permission to reproduce the photographs included in this module.

In addition, the Ministry would like to express its appreciation to the various copyright holders who have granted their permission to reproduce the material to which they hold title. Further information pertaining to the rights on this material would be welcome.

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Choosing Topics

Choices is the part of *Economics and People* where **you** choose the topics and learning activities that interest you. Begin choosing topics and learning activities by reading the following "Outline of Topics." The Outline gives you a description of all topics and learning activities in *Choices.* Make a list of topics that sound interesting to you. Choose **at least one** topic from each of the three units in *Choices.* (The three units are: Basic Ideas in Economics, Economics in People's Lives, and Different Economies.)

When you have made your choice, put your list of topics in order, with the most interesting at the top. Now look through the units and skim the topics you have chosen. Do the learning activities seem interesting? Make a note of any questions or activities that you would particularly like to do. If you are working with other people, do this together.

You may find that you want to change your mind as you read through the unit. This is not a problem. If you do find a topic that looks interesting to you, add it to your list. You may also have an idea for a topic not included in *Choices.* If you have an idea of your own, discuss it with your instructor.

If you are working with other people, make sure that you agree on the topics you want to study. If you are the only person in your group that wants to do a certain topic, you may wish to change to a different group. You may want to work with a group that is doing the topic of your choice. Or, you can work on a topic alone.

Go over your list with your instructor. He or she may have information about resources, time required for the topic, level of difficulty, etc. Work with your instructor to make a final list of your choices. If you are using a learning contract (ask your instructor for full instructions on this), prepare a rough copy of a learning contract for your first topic. Go over this with your instructor, also.

Outline of Units

		Unit 1 Basic Ideas in Economics	Unit 2 Different Economies	Unit 3 Economics in People's Lives
TOPIC 1	Main Question	▪ What are "basic needs"?	▪ What is a consumer? ▪ What part does a consumer play in the marketplace and in the economy? ▪ What is a "wise" consumer?	▪ Why was the American economy in the 18th and early 19th centuries known as a "boom and bust" economy? ▪ What happened before and after the 1929 stock market crash? ▪ Why did the crash happen?
	Main Ideas	Basic needs are looked at from the global point of view.	We are all consumers. We can learn to be better consumers by learning how we fit into the economy.	A "boom and bust" economy is one that goes through cycles of economic health and disaster. The economies of Canada and the United States are examples of this.
	Learning Activities	1. Read the article, "Basic Needs — The Bottom Line." Consider or discuss the questions provided and record the answers.	1. Read the questions provided, view the video, "What is a Consumer?" and answer the questions provided.	1. Read the questions provided, view the video, "Boom and Bust," and discuss the questions. Respond to the questions in writing.
TOPIC 2	Main Questions	▪ How was money used in the past? ▪ What are the stages of development the use of money has gone through? ▪ What is the connection between money and credit? ▪ What part does credit play in our economy?	▪ Why do many everyday items seem to last such a short time? ▪ Why are we using so many items that constantly need replacing? ▪ What does this have to do with an economy based on growth?	▪ How important is the forestry industry to B.C.'s economy? ▪ What operations are part of forestry in B.C.? ▪ What sectors of the economy are involved in these operations?

		Unit 1 (Cont.)	Unit 2 (Cont.)	Unit 3 (Cont.)
TOPIC 2	Main Ideas	Money and credit are two forces moving through most economic systems. The video "Man's Confidence in Man" is used as an introduction to money and credit, and as a means to answer the questions in the Learning Activity.	Through the video "It's New, It's Neat, It's Obsolete," examples are given and changes in the quality of goods are traced from the time consumer goods first came on the market.	British Columbia is rich in many natural resources. Forests are one these natural resources. Lesson One of *Governing Our Forests* introduces the role of the forestry industry in the economy of B.C.
	Learning Activities	1. Read the questions, watch the video, "Man's Confidence in Man," and then consider or discuss the questions. Record the answers.	1. View the video "It's New, It's Neat, It's Obsolete," and answer **all** the questions.	1. Complete the activities in Lesson One of *Governing Our Forests*.
TOPIC 3	Main Questions	▪ Why does the Canadian dollar fluctuate in value? ▪ What does this fluctuation mean for Canadians? ▪ What action can the Canadian government take when the dollar drops? ▪ What is the effect of this action?	▪ Do the rich and poor in Western economies spend their money differently? ▪ Do the rich and poor in different countries spend their money in the household budget differently?	▪ What economic ideas and terms do we need to know in order to understand how our economy works? ▪ What are the characteristics of the Canadian economy?
	Main Ideas	Supply and demand works on money just as it works on other goods in an economy. This is partly why the value of the Canadian dollar fluctuates (goes up and down) in value. The article, "Floating or Sinking?" explains why the value of our money goes up and down.	People spend their money in different ways, depending on how much they have. The lower paid spend a high percentage of their income on basics, such as food and housing. Middle and upper income earners spend a higher percentage of their income on "luxury items" such as clothes, and durable goods such as videos and cars. Patterns of consumption vary from country to country.	This topic is mainly a review of the work undertaken in the core topics: Topic 2 (Parts of an Economy), and Topic 3 (Different Economic Systems).

		Unit 1 (Cont.)	Unit 2 (Cont.)	Unit 3 (Cont.)
TOPIC 3	Learning Activities	1. Read the article "Floating or Sinking." Consider, discuss, and answer the questions in the Learning Activity. 2. Read the article "Floating or Sinking" and complete the questions provided.	1. Read the article, "Shopping Around" and complete the questions provided in the topic.	1. Read the article, "Money Management." Consider or discuss the questions provided and record the answers.
TOPIC 4	Main Questions	▪ What is inflation? ▪ What causes inflation in an economy?	▪ How do you set up a household budget? ▪ What use is a household budget?	▪ On what basis are native Indians claiming rights to land in Canada? ▪ To what extent are these claims based on different economic systems? ▪ What is going on in tne Gitksan and Wet'suwet'en land claim cases against the B.C. government?
	Main Ideas	Inflation has become a dirty word in Canadian households. The statement that "inflation happens because demand is greater than supply" is explained in the article, "Inflation: Public Enemy Number One."	Budgeting is "planned spending." The video, "The Mechanics of Budgeting" gives complete directions for setting up a system for planned spending.	In traditional economies, resources are important. However, this importance is very different to the importance placed on resources by standard economies. Standard economics do not recognize the values of traditional economies and, in particular, does not see them as existing in an economy like Canada's. To native people, land means all the resources on the land itself. It is from the land that they meet all their basic needs. Non-native people have a difficulty understanding native concepts of land, land use, ownership, and resource use.

		Unit 1 (Cont.)	Unit 2 (Cont.)	Unit 3 (Cont.)
TOPIC 4	Learning Activities	1. Read the article, "Inflation: Public Enemy Number One," and then discuss and answer the questions provided. 2. Read the article, "Inflation: Public Enemy Number One," and consider or discuss the two questions assigned.	1. View the video, "The Mechanics of Budgeting" (The Complete Consumer series), and answer the questions. 2. Watch the video, "The Mechanics of Budgeting." If you are interested in planning your spending, follow the budgeting steps and try out your budget for a month, or a week. Write a report of your experience.	1. Re-read Topic 3 in the *Student Manual* on "Traditional Economics;" read "On Indian Land: The Gitksan - Wet'suwet'en," (Legal Services Society Schools Program *Newsletter*, April 1987, Vol. 11, No. 4, pp.8 and 9); and answer the questions provided. 2. Reread Topic 3 in the Student Manual on "Traditional Economics" and "On Indian Land: The Gitksan - Wet'suwet'en." Research the current status of the Gitksan - Wet'suwet'en land claim.
TOPIC 5	Main Questions		▪ What is personal credit? ▪ What kinds of credit are there? ▪ How does a person obtain and manage credit?	▪ What should be known about a local economy, as background to local or community-based economic development? ▪ How can the information be gathered?
	Main Ideas		The video, "Consumer Economics with Nettie Mooselock: Credit Cards" introduces you to personal credit.	Few people have a clear picture of the local economy, even though we are part of it. This topic covers what needs to be known about the local economy, and includes an analysis of a local economy to help you in evaluating your own local economy.
	Learning Activities		1. View the video and answer the questions provided. 2. View the video and research information on personal credit in B.C.	1. Read the article, "Profile or Analysis of a Local Economy." Go over the information and work with your instructor and other students, to prepare a profile and analysis of your local economy. 2. Read the article "Profile or Analysis of a Local Economy," and arrange for a speaker: for example, a local Economic Development Officer.

		Unit 1 (Cont.)	Unit 2 (Cont.)	Unit 3 (Cont.)
TOPIC 6	Main Questions		▪ How do people get into debt? ▪ What is "orderly payment of debt"? ▪ What alternatives are there for handling debt?	
	Main Ideas		The article, "What Do You Do When You're Broke?" (Consumer Education, Legal Services Society Schools Program *Newsletter*, June 1987) reviews the laws and government agencies that deal with debt and suggests what a person in debt could do about it.	
	Learning Activities		1. Read the article, consider or discuss the questions, and provide answers.	
TOPIC 7	Main Questions		▪ In what ways does advertising encourage us to buy certain products? ▪ How does advertising encourage us to think in certain ways?	
	Main Ideas		Advertising affects us all, but we may not know how deeply we are affected. The article, "Reading the Ads" illustrates 12 ways advertising is used to appeal to us and affect the way we spend our money.	
	Learning Activities		1. Read the article, "Reading the Ads" and answer the questions provided.	

Unit 1

Basic Ideas in Economics

Topic 1: Basic Needs

Main Question

- What are "basic needs"?

Main Ideas

An economy is a system through which society meets the basic needs of individuals. The materials to meet those basic needs may be readily available in one area or country, but may be impossible to obtain in another country. This means that not every country can meet the basic needs of its people. The article, "Basic Needs — The Bottom Line" looks at basic needs from a global point of view.

Learning Activity

1. Read the article, "Basic Needs — The Bottom Line." Then, read the following questions. If possible, discuss the questions with other people. Record the answers.

   a) What are the six main headings in the article? What basic needs are referred to by each heading? (There may be more than one for each heading.) Copy the chart layout given here, and list the six headings from the article in the left-hand column. In the middle column, list the basic needs given in the article for each heading. Leave the column called "Rating" empty for the moment.

Heading from Article	Basic Need	Rating

b) Do **you** have any basic needs that are not included in this article? If you do, add them to your chart. If possible, discuss your list with other people.

c) How well do you think the levels of government and the Canadian economy are meeting your basic needs? Go through the chart you made for steps a) and b) point by point, and rate how well the economy (and the government) is meeting your basic needs. Here is a rating scale you could use:

How Well Are My Basic Needs Being Met?

Well	Adequately	Poorly

d) Which basic need(s) did you rate as being poorly met? For each basic need you named as being poorly met, think of one way it could be met more adequately.

Consider or discuss your ideas. Brainstorm ways that you, as a taxpayer and a consumer, could apply pressure to improve the ways the government and economy meet your basic needs.

e) Reread the article "Basic Needs — The Bottom Line." Think about how our basic needs are met in Canada, compared to the situation of the people in Third World countries described in this article. Refer to the six categories of basic needs from the article when doing your comparison (i.e., Water and Sanitation, Housing). Write a brief summary of your comparison.

Remember to fill in a Topic Evaluation Form for this topic.

BASIC NEEDS – THE BOTTOM LINE

For most people in the developing countries the first worry is not the rupee or peso wisely spent but whether they'll have enough to get by. The basic needs for food, clean water, housing, education, health and work are for many people still largely unmet.

WATER AND SANITATION

Over half the people (1,320 m) in the Third World (excluding China) do not have clean water and 1,730 m – three quarters – lack adequate sanitation.

Source: Earthscan

HOUSING

Nearly half the inhabitants of Third World cities cannot afford the cheapest house which meets basic health and safety needs. More than one million live in illegal shanties in the major cities like Lima, Lagos, Delhi, Cairo and Mexico City.

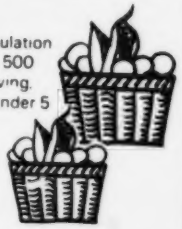
Source: UN Centre for Human Settlements

INFANT MORTALITY

Average infant mortality per 1,000 live births in developing countries is 86, but in Africa it is 120. In the West, the rate is 18 per 1,000 live births

Source: US Foreign Policy and the Third World 1983

FOOD



Out of a total world population of about 4,500 million, 500 million are actually starving, most of them children under 5 years.

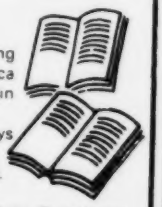
Source: UN FAO

LIFE EXPECTANCY

In the Third World, average is 57 years, going up to 69 for Oceania, 63 for Latin America, 58 for Asia but only 49 for Africa.

Source: US Foreign Policy and the Third World 1983

LITERACY



Average literacy in developing countries is 57% but for Africa it's only 36% whereas in Latin America it's 79%. In low income countries 90% of boys aged 6 – 11 are in primary school but only 64% of girls.

Source: US Foreign Policy and the Third World 1983 & State of the World's Children Report, 1985

This article was reproduced here with permission from the *New Internationalist*, Issue No. 147, Market Forces, p. 11.

Topic 2: Money and Credit in Our Economy

Main Questions

- How was money used in the past?
- What stages has the use of money gone through?
- What is the connection between money and credit?
- What part does credit play in our economy?

Main Ideas

Money and credit are two forces moving through most economic systems. The video, "Man's Confidence in Man: The Living Story of Credit," is an animated tour through what came before money and how money has changed. The connection between money and credit, and what place credit has in different economies, is also explored.

Learning Activity

1. Read all of the following questions before you watch the video, "Man's Confidence in Man: The Living Story of Credit." Then watch the video. Re-read the questions and then consider or discuss them. Watch the video a second time, using the Pause button to stop and discuss a point, or to make notes. Record your answers.

   a) What is the origin of the word "credit"? What important fact does this tell us about credit?

   b) The name of the system of exchanging goods, which existed before money came into use, is the _____ system. To _____ means to trade.

   c) A standard unit is one that _____ _____. A standard unit has to have two features. These are _____ and _____.

d) In the early days of credit, a goldsmith or storekeeper would give a person a receipt for deposits of gold. These were promises to pay the bearer in gold. How did these "promises" change the nature of transactions?

e) What is an "investment"? Give an example (from the video) of how an investment works in relation to credit.

f) In New France, what did the Governor sign that was passed as real money? What is the importance of this?

g) "Business is the flow of money." This is a quote from the video. The flow of money begins as soon as someone has an idea for a project or a factory. Describe the steps of this flow, as outlined in the video.

h) Name **at least three** things that happened when people lost confidence in financial institutions.

i) Draw the credit cycle, or business credit cycle, as described in the video. Do not worry about your skill as an artist, but sketch or block in the parts of the business cycle.

j) Consumer credit is considered as separate from business credit. Use the video to list **five** examples of ways consumer credit is used today.

k) At the end of the video, the narrator says, "Credit does just about everything. It's not a bad system, is it?"

Consider or discuss this quote in light of what you have seen in the video. Do you agree? Does the credit system have any negative aspects? What are some of the positive aspects named in the video?

Remember to fill in a Topic Evaluation Form for this topic.

Topic 3: Money in Canada

Main Questions

- Why does the Canadian dollar fluctuate in value?
- What does this fluctuation mean for Canadians?
- What action can the Canadian government take when the dollar drops?
- What is the effect of this action?

Main ideas

Supply and demand works on money, just as it works on goods and services in an economy. Supply and demand is partly why the Canadian dollar fluctuates (goes up and down) in value. The article, "Floating or Sinking?" explains why the value of our money goes up and down.

Learning Activities

1. Read the questions, so you have an idea of what is required of you. Skim the article, "Floating or Sinking?" then read it more slowly and carefully a second time. Consider or discuss the following questions and record your answers.

   a) Explain, in economic terms, what it means for a country to "live beyond its means."

   b) Give **at least** three "basic facts" the article says are the causes behind the decline of the dollar.

   c) Give **two** reasons why the Canadian dollar is an unwanted item on world money markets.

   d) In what ways can the government prop up the Canadian dollar?

e) "From the government point of view, a 70-cent dollar would be the clearest kind of evidence that our rulers have mismanaged the economy. Politically, it would be disastrous." (Quoted from "Floating or Sinking?")

Since 1978, when this article was written, the Canadian dollar has come close to being a 70-cent dollar (against the U.S. dollar). Find out what the current value of the Canadian dollar is compared to the U.S. dollar. Discuss the quotation in light of its current value. Do you think the government has mismanaged our economy? Or, have world events put things beyond the power of any one government? Has the 70-cent dollar been politically disastrous? What things may have changed in the world and the Canadian economy since the article was written?

f) The good thing about a lower value for the dollar is _____. The bad thing about it is _____.

g) Various people involved with the Canadian economy are quoted at the end of the article. What is each of these people saying? What do they think can or should be done about the value of the dollar?

2. Read the article, "Floating or Sinking?" and complete the following activities.

a) Assess the various ways in which you have been affected personally by the drop in value of the dollar. Write a personal statement in which you tell how the declining dollar will effect:

i) your future lifestyle
ii) your life when you join or rejoin the workforce.

b) On a wall chart, graph how the value of the Canadian dollar changes in relation to the German mark, British pound, Japanese yen, and U.S. dollar over a week or a month. The prices are listed in the financial pages of a daily newspaper.

Remember to fill in a Topic Evaluation Form for this topic.

Floating or sinking?

According to the Canadian Manufacturers' Association, our trade deficit cost us 250,000 jobs last year. How might buying Canadian made products affect this?

THE ISSUES: Why has our dollar dropped in value? Why does this bring both bad news and good news? Why does the government attempt to prop up the dollar? What are the short-term remedies? What long-term remedies would restore the dollar to health?

THE DOLLAR is only a symbol. Its value as a piece of paper is so small it can hardly be measured.

As a symbol it is important, however, and can be measured. We measure it by the number of tomatoes, chocolate bars, or soft drinks it will buy. We also measure it against another dollar currency, the currency of the United States. In 1976, it was worth $1.03, measured against the U.S. dollar. Today, it is worth somewhere between 83 and 85 cents. Only in the early 1930s was the Canadian dollar lower.

The dollar rises or falls depending on what other countries think of it. If a family spends $300 a week but brings in $350 a week, it can afford a few debts. Others are willing to grant the family a limited amount of credit. But, suppose the family goes on spending $300 a week while its income drops to $200. Then, shopkeepers no longer believe in the family's economic health. It is obviously living beyond its means.

Canada, like the family, has been living beyond its means for several years. Our income comes from the goods and services we export to other countries. Our outgo is the amount we spend for imports plus other items such as the Canadian dollars we spend abroad as tourists or money handed to foreign countries to pay dividends and interest on our debts. If we manage well, the income and outgo should balance, or income should top outgo, giving us a surplus.

This is not happening. For the past four years, we have been importing $4 billion worth more in goods and services each year than we have been exporting. This adds up to a debt of $16 billion. To pay the debt, governments and business have borrowed the $16 billion from foreigners. Some time in the future Canada must pay off this debt along with about $1.5 billion a year of interest on the debt. These basic facts are back of the dollar's decline.

SUPPLY AND DEMAND

To understand a little more about it, go back to the law of supply and demand. When there is plenty of any item its price tends to drop because demand is easily satisfied. When demand is strong and the item is scarce, however, the price is driven up by people willing to bid more for it.

Supply and demand work that way for dollars too. Because our exports have to be paid for in Canadian dollars, exports create a demand for our dollars and the price rises. Imports do just the opposite. To pay for our imports we flood world money markets with our dollars which must be changed into the currencies of countries exporting to us. The supply goes up and the price drops.

Canada still has a good credit rating around the world. But the combination of our climbing debt and an oversupply of dollars on foreign exchanges has made the dollar an unwanted item. Speculators, who buy and sell currencies betting that they will go up or down, have driven the dollar still further into the cellar.

Our dollar is supposed to 'float'; in theory, it drifts back and forth to its own level without interference. The government, however, has ways of stepping in if there are signs of a nosedive.

WHY PROP UP DOLLAR?

There are several ways of propping up the dollar. The government, by spending its reserves or borrowing, can purchase unwanted dollars floating around foreign exchanges. Lowering supply and increasing demand tend to drive the price up. It can also raise interest rates in Canada. The higher rates attract people with capital who then buy Canadian dollars to invest in the country. Demand for the dollar, in theory, sends its price higher.

The government has done both these things to 'defend' the dollar, slowing its decline perhaps, but not boosting it much either. There are several other ways to prop up a currency. Exchange controls can keep people from taking money out of the country. An extra import tax can be placed on goods coming in, discouraging the buying of foreign cars, cameras, stereos, and so on. Tourist spending abroad can be limited. The government can deliberately slow the economy by keeping taxes up. The effect of this is to give people less real income to spend on travel or imports.

Why not let the dollar really float? If it submerges, say, to 70 cents, so what? There are two reasons why this would be bad. From the citizen's point of view, a dollar that low would cause very serious inflation. Canada is a trading nation and our imports at that dollar level would probably cause inflation of 12 or 15 per cent. From the government point of view, a 70-cent dollar would be the clearest kind of evidence that our rulers have mismanaged the economy. Politically, it would be disastrous.

GOOD AND BAD NEWS

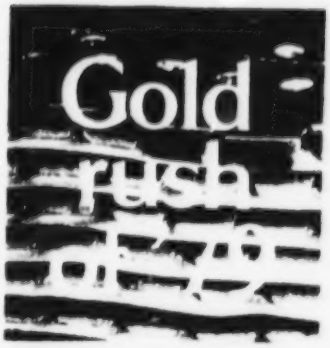
At its present level the dollar means good news for some Canadians. Exporters are doing better because buyers can pay in cheaper Canadian dollars. More exports are a shot in the arm for the dollar. Canadian manufacturers competing with imports in the home market tend to do better as their products become more competitive against higher price tags on imports.

The bad news is mainly in a higher cost of living. Imported food, shoes, clothing, appliances, all shoot up in price because we must pay for them with more of our devalued dollars. Similarly, we are shocked to find that gratifying the itch to travel will cost us dearly. Our dollar is 15 or more points down on the U.S. dollar, which itself is many notches down on strong currencies like the West German mark or the Japanese yen. In some cases, the bill for a foreign holiday has almost doubled in a single year.

Opinions differ about whether or not we should race around borrowing more money to bolster the dollar. Some call it madness and suggest that we will end by borrowing simply to pay the interest on the money already borrowed. Others are all for drastic action to put a floor under the dollar's sinking spells.

In the long run, the dollar is only as good as the Canadians behind it. Different people say this in different ways. Gerald Bouey, Governor of the Bank of Canada, thinks in terms of costs. "The best hope . . .," he says, "is to control our costs, to be competitive with the rest of the world." Economist, G. Leigh Skene, stresses the people side. "Most of all," he says, "we need an informed electorate . . . which realizes we cannot go on consuming more than we produce . . . which has will and determination and insists on these qualities from government, business, and unions."

Let's finish with a comment from Richard Gwyn, Ottawa-based columnist for the *Toronto Star*. The dollar, he thinks, is "a reflection, but not the substance, of our real problems — too little productivity, too much soft spending and too little hard competitiveness, too many strikes and too much inter-governmental squabbling."



THE sourdoughs of the Klondike got their kicks out of panning for gold in Bonanza Creek. This year's gold prospectors sit beside a telephone or line up at a bank window to buy and sell gold. They are the gold bugs of '79.

Gold is that prized yellow metal which is equally valuable in Tibet, Toronto, or Timbuktu. Because it is comparatively scarce, extremely dense, and easy to shape, weigh, and assay, it is accepted by everyone as a standard of value.

So important is gold as a value symbol that in the 19th and the early part of the 20th centuries several countries were on the gold standard. This means that they owned a dollar's worth of gold for every dollar of paper money they issued. The gold standard has now disappeared though nearly all nations still have some gold reserves backing their paper currencies.

Gold was once bought by governments at a fixed price of $20 an ounce. The price later rose to $35, but both prices look absurd in the face of the bidding for gold this fall. Driven up by investors and speculators, prices reached a record-breaking U.S. $800 an ounce.

The whys of gold fever

Many things have gone into making the boom in gold. In the first place, people no longer trust paper money or the ability of governments to give us a sound economy. This is another way of saying that they fear even wilder inflation. Owning things — real estate, paintings, antiques, gold — has always been a good way of beating inflation, a kind of protection. Nine years ago you could have bought gold for $35 an ounce. Its price has jumped more than ten times while consumer prices have only doubled. People are buying gold as protection against rising prices.

Second, the Arab oil countries have become big gold buyers, bidding up the price. With billions to invest, they are running out of places to put their money and are turning to gold as a sound choice. Gold expert Paul Erdman wonders also about another Arab motive. Suppose the OPEC countries are planning another major oil price increase. This would further weaken the U.S. dollar, and the Arabs may be buying gold to protect themselves against this.

Third, North American pension funds and other financial institutions have started putting some of their money into gold instead of investing only in stocks and bonds.

Fourth, currency speculators (people who buy and sell money) have jumped on the band wagon because they see more chance of profits here than through dealing in dollars, pounds, or marks.

Fifth, there is less gold than usual for sale. People who own it are holding out for higher prices. Countries which produce it (South Africa and the Soviet Union are the two biggest producers, followed by Canada) may be stockpiling it for the same reason.

You may wonder why we haven't mentioned the small player in this new gold rush — the hopeful who lines up at the gold window of a bank to buy or sell an ounce or two. Though there are hundreds of these people in the game, they have no real influence on the price of gold. "They are caught," reports Michael Best of the *Toronto Star*, "in a giant and complex international market on which the sun rarely sets, and which has soared and subsided countless times through the ages." The real centres of action on gold are in London, Zurich, Paris, New York, and Hong Kong.

This gold boom, like others before it, will die, hurting many people in the process. The slide may be slow, reducing the losses, or the gold market may collapse like a pricked balloon. Those on the inside think gold may follow the same cycle it did in the mid-1970s. At that time it doubled to $195 an ounce by the end of 1974, during a period of high inflation. A year later, inflation had cooled, people stopped buying gold, and the price dipped to less than $100. If inflation eases in the next six months in North America, as some economists predict, the same thing may happen again.

Gold is a dangerous market for the amateur speculator — like walking a high wire without a safety net. But, though this episode will end, exciting times for gold will come again. Hang on to that $5 Canadian gold piece grandpa gave you.

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Topic 4: Inflation

Main Questions

- What is inflation?
- What causes inflation in an economy?

Main Ideas

Costs just seem to go up, and up, and up. Inflation has become a household four-letter word. The statement that "inflation happens because demand is greater than supply" is explained in the article, "Inflation: Public Enemy Number One."

Learning Activities

1. Skim the article "Inflation: Public Enemy Number One." Then, read the following questions and re-read the article more slowly and carefully. Consider, or discuss the following questions. Record your answers.

   a) Define inflation and deflation.

   b) What are the **two** ways inflation is brought about through supply being greater than demand?

   c) Describe the **two** kinds of inflation given in the article.

   d) What effects does "creeping inflation" have on people? Give **two** examples of each.

   e) What effects does "hyperinflation" have on people? Give **two** examples.

2. Read the article, "Inflation: Public Enemy Number One" and complete both a) and b).

   a) Consider or discuss the following two questions, and record your answers.

      i) Identify as many bad features of rapid inflation as you can. Discuss measures the government is taking, or could take, to reduce the harm these features cause.

      ii) Discuss what is meant by "inflationary psychology." What are its effects? Do you think most Canadians are influenced by this psychology?[1]

   b) If you are working with other people, try and achieve a consensus on how you think inflation should be handled, and write a letter to your Member of Parliament describing your position.

Remember to fill in a Topic Evaluation Form for this topic.

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1 These discussion questions are taken from "Inflation: Public Enemy Number One" in *Canada and the World*, Backgrounder on Economics, p. 9.

that this demand curve is downward sloping.

Facing demand, or what consumers are willing to buy at a certain price, is supply, or what producers are willing to provide at a certain price. Using our bicycle example, we can again plan a table and from it a chart which will show the relationship between supply and price. This time we find that the supply curve slopes upward (Figs. 3 and 4).

Our final step is to combine the two curves on one chart (Fig. 5). The point where they meet shows the point where the number of bicycles willingly supplied and the number willingly demanded are the same. Other things being equal, the price of bicycles will settle at this point which is called the *equilibrium price* (equilibrium means in a state of balance).

CURVES MAY SHIFT

The words "other things being equal" are important here. If supplies of gears, spokes, or sprockets are hard to get, or if workers win a wage increase, companies won't be willing to supply bicycles at the old equilibrium price. The supply curve will shift to the left. In the same way, a jump in family income or a higher price for motor scooters will tend to cause a shift to the right in the demand curve. These shifts are shown in the dotted lines s^1-s^1 and d^1-d^1 in Figures 2 and 4.

You may ask, "Why do equality of supply and demand determine the equilibrium price of bicycles, sherbets, or hamburgers?" After all, the number of each of these things sold must be exactly equal to the number bought, no matter what the price. This is true, of course, but it doesn't tell us whether buyers are willing to go on buying and sellers willing to go on selling at that point. Only the equilibrium price will show us where supply and demand are in balance.

"No man is an island," said the poet John Donne, and, equally, no market for bicycles, bubble gum, or loose-leaf binders is an economic island. Each depends to some extent on other supply-demand curves. If fertilizer prices go up they affect the markets for wheat, rye, and other foods. If a new synthetic fibre is discovered, there will be changes in the markets for wool and older man-made fabrics. There are thus many supply-demand curves all influencing each other. Working together they produce what is called a *general-equilibrium* set of prices.

INFLATION:

Public enemy number one

YOU BUY an ice cream cone today for 25c. A year ago the same cone cost 20c, tomorrow's price will be 30c and next year it will be 35c.

That's inflation. It's a time of generally rising prices for bread, jeans, stereos, just about everything. Deflation is the opposite: a time when prices are falling.

Inflation happens because demand is greater than supply. This comes about usually in two ways: (a) The supply of money in the hands of consumers is greater than the supply of goods available ("too much money is chasing too few goods"). (b) The money supply is fairly steady but there are shortages of goods because of crop failures, dwindling natural resources, breakdowns in distribution, or strikes.

Whatever the reasons, too much money or too few goods will cause inflation. When both these conditions occur together, inflation becomes even more severe.

TWO KINDS

Economists talk about two kinds of inflation, *cost-push* and *demand-pull*. The *cost-push* variety results when higher wages and other manufacturing costs push the producer into increasing his prices. *Demand-pull* inflation happens when consumers "bid" for articles with more dollars than there are goods available.

Very little thought will convince you that the difference between the two kinds is not too important. Both of them always go on at the same time since the higher wages of the *cost-push* type will become the surplus dollars of *demand-pull* inflation. They are head and tail of the same coin.

MAY CRAWL OR GALLOP

Inflation may creep or gallop. If it merely crawls along, people can live comfortably with it because their own incomes keep pace with the buying power of the dollar or fall only slowly behind. If the crawl becomes a gallop, we have hyperinflation. This eats away at lifetime savings, at fixed incomes, and at the living standards of those who have no power to bargain for higher wages.

When each price increase signals another increase in wages and costs, creeping inflation turns into hyper-inflation. This kind of inflation can get out of control. People expect more inflation and their expectations come true.

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Unit 2

Economics in People's Lives

Topic 1: What is a Consumer?

Main Questions

- What is a consumer?
- What part does a consumer play in the marketplace and in the economy?
- What is a "wise" consumer?

Main Ideas

We are all consumers. We can become better consumers by learning how we fit into the economy. The Main Ideas for this topic are introduced in the video, "What is a Consumer?" (The Complete Consumer series).

Learning Activity

1. Read **all** the following questions, before viewing the video, "What is a Consumer?" Think about or discuss all the questions, then watch the video. View the video again, using the Pause button to stop the video when you want to make notes. On your second viewing, try to fill in any answers you may have missed.

   a) What is the definition given for "consumer"?

   b) Explain how the video answers the question, "Does the consumer have an impact on the economy?"

   c) Fill in the blank in i) and then answer question ii).

      i) The consumer, more than ever, is exercising power of _____.

      ii) Do you feel that, as a consumer, you are exercising this power? Explain.

d) "It's the skill of a producer to determine what we want, at what price, and the standard or quality." What would a producer need to know to accurately determine all of these things? Think about or discuss this question in relation to the core economic ideas given in the *Student Manual.* The answer is not given directly in the video, although the key points are mentioned.

e) What effect does promotion by advertisers have on our buying of products? Explain the reasons behind your answer.

f) Why can it be important to us as consumers to know not just **what** we are buying, but **why**? Consider and explain at least two points in relation to this question.

g) What three things have an effect on what we buy? Which do you feel has the most effect? Which has the least effect?

h) "We pamper and reward ourselves, and yield to the pressure of our peers." In what ways does the video illustrate this quotation? In what ways does the video suggest you, as an individual consumer, can resist that pressure?

i) What various costs does the video suggest you should consider when buying a product?

j) Name **four** organizations where you can get information on products. Name an example of each. Now, put your list in order, with the organization you would trust the most as number one and the organization you trust the least as number four. State your reasons for your ranking.

k) Name **five** things that make us wiser consumers.

l) Make a chart on being a wiser consumer. If you are working in a group, complete the chart together. If you are working independently, do the chart by yourself. Follow these steps:

- Make a draft or outline. Check it with your instructor and ask him or her for the necessary materials.

- Give the chart a title. Arrange the points in an order that seems best for your title, or makes the most sense to you.
- Make the chart and put it up in your classroom. If you would like to do a presentation on your chart to the rest of your class, talk to your instructor.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 2: It's New, It's Neat, It's Obsolete

Main Questions

- Why do many everyday items seem to last such a short time?
- Why are we using so many items that constantly need replacing?
- What does this have to do with an economy based on growth?

Main Ideas

The Main Ideas for this topic are introduced in the video, "It's New, It's Neat, It's Obsolete: A Consumer Film." The video traces the changes in the quality of goods since consumer items first came on the market. This is done in an entertaining way through Louis, the Used Car Salesman.

Learning Activity

1. Watch "It's New, It's Neat, It's Obsolete: A Consumer Film" and answer **all** of the following questions.

   a) Louie states, "That's the trouble with things these days — they don't last." Do you agree with Louie's statement? Explain your answer.

   b) Why does Louie think things don't last? Write down his reasons.

   c) Fill in the blank:

   When people want to buy new cars, the value of the older models _____, or goes down.

   d) "As soon as a guy buys something, he wants a new one. The guys that make things know this, so they know there's no use making them to last." Do you agree with this? Explain your answer.

e) What would be the effect on our economy if people decided they were happy with what they had and did not want to buy new items? When you answer this question, consider the fact that our economy is based on constant growth.

f) What does Louie say about car batteries?

g) Louie uses the example of the razor to show how gimmicks (small devices or gadgets that attract attention) affect what people buy. List the other gimmicks that are shown in this part of the video.

h) Name **at least** three gimmicks in the video that consumers have been drawn into buying. Do you agree that the things given in the video are gimmicks?

i) How can you tell the difference between a gimmick and an innovation (an innovation being something that does a job better)? Is there a difference? Who decides?

j) "The consumer gets what he pays for. Buy fashion, you get fashion." Do you agree with this? Where do you think fashions are set? Who makes up the fashions?

k) Louie's advice about what can be done is: "Don't buy. Consider the power of the guy who refuses to fall for a gimmick. Buy something cheap and cheesy, you'll have to throw it out. Obsolescence is only around because we buy it."

Do you think Louie's advice is good advice? Could you follow it? Why or why not? Or, when, and when not?

l) What is the other piece of advice Louie gives about buying quality goods? Name the **three** things he suggests you do not buy.

m) Do you notice anything about the car Louie drives away in at the end of the film? Based on what you know about Louie, explain his choice.

n) The health of our economy and our economic system is based on growth. If everybody followed Louie's advice, what would be the result? Base your answer on this video and the other things you have considered in this module. Weigh the reasons for and against (the pros and cons of) following Louie's advice, in relation to the general economy.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 3: Household Budgets

Main Questions

- Do the rich and the poor in Western economies spend their money differently?
- Do the rich and poor in various countries spend their money in the household budgets differently?

Main Ideas

People spend their money in different ways, depending on how much they have. The lower paid spend a higher percentage of their income on basics, such as food and housing. Middle and upper income earners spend a higher percentage of their income on "luxury items" such as clothes, and durable goods such as videos and cars. Patterns of consumption vary from country to country.

The Main Ideas for this topic are presented in the article, "Shopping Around."

Learning Activity

1. Read the article, "Shopping Around," and answer **all** the following questions. If you are working with other students, discuss the questions before recording the answers.

   a) Use the information in the article, "Shopping Around" to complete these sentences.

      i) Lower income earners spend a higher percentage of their money on _____ than middle and upper income earners.

ii) Video recorders and transport are examples of items called _____ goods. Middle and upper income earners spend a higher percentage of their income on these items and _____ goods than lower income earners.

b) Think about what is behind these spending patterns. It is obvious that the rich can afford to spend money on luxury goods while the poor cannot. But, what is not so obvious is that when a poorer family has to spend most of its income on basic needs, there is little chance to break out of a cycle of poverty by saving and investing money. This is a partial explanation for why the rich get richer and the poor remain poor.

Do you believe things have always been this way and always will be this way? What measures do you think individuals and governments could take to change these patterns?

c) Each graph in the article shows a different group of consumer items: Food, Alcohol, Tobacco, Consumer Durables, Clothing, Housing, and Transport. The numbers along the top of the bars are percentages to tell you what per cent of total income each group spends on that item.

Read the bar graphs and the key carefully.

i) Use the information in the bar graph to make a chart about Canada. Use the format below and enter the percentages for each consumer and income group.

	Lower	**Middle**	**Upper**	
Food				
Alcohol				
Tobacco				
Clothing				
Housing				
Transport				

ii) Now use the information in your chart to make a **graph** of Canadian household budgets for each income group. A line graph may be the best way to show this. You can show each income group in a different way. For instance, you could use dashes (---), dots (...), and solid lines (_). Or, you could use different coloured lines. If you are not sure how to do a line graph, see your instructor.

iii) Look at your finished graph. Call your graph "Canadian Consumption Patterns." Does the pattern of spending shown on your graph surprise you, or is it what you expected? Do you think this information tells us anything about our society? Explain your answer. If you think it does **not** tell us anything, what use is this information?

d) In the article, similar groups of income earners in the three countries spend their money in different ways. To get a clearer picture of the information in the bar graphs, answer these questions.

i) In what country does the lower income group spend most on food?

ii) Between which two countries is the biggest difference in upper-income group spending on consumer durables?

iii) In what country is the most alcohol sold? (Use the information from all three earning groups to obtain an answer.)

iv) In what country is the least alcohol sold? (Again, use the information from all three groups.)

v) Look at the Transport bar graph. All three earning groups in each country follow a similar spending pattern. Why might spending on transport be higher for all groups in the U.K.? What about in Canada? (The answer to these questions is not in the information given; you will have to brainstorm reasons. The reasons for the differences may not be the same for both the U.K. and Canada, so think about each country in relation to the U.S.A.)

e) In what country does household budget spending vary the most between different groups of earners? (You have to look at all the bar graphs to answer this question. Look for whether the graphs of the three income groups are close together, or whether they vary a lot. Does one country seem to have more variation than the others? If yes, which one?) Explain why variations in household budgets exist between countries.

f) Do you think that the figures given for Canada match your personal household budget? Explain your answer.

Remember to fill in a Topic Evaluation Form for this topic.

Shopping around

While rich world people are spending more money on housing, durable goods and clothes, poor world consumers struggle for basic items such as food and clean water. Western 'free market' ideals ignore the needs of the poor who have neither the money nor the political clout to shape the supply to meet their demand.

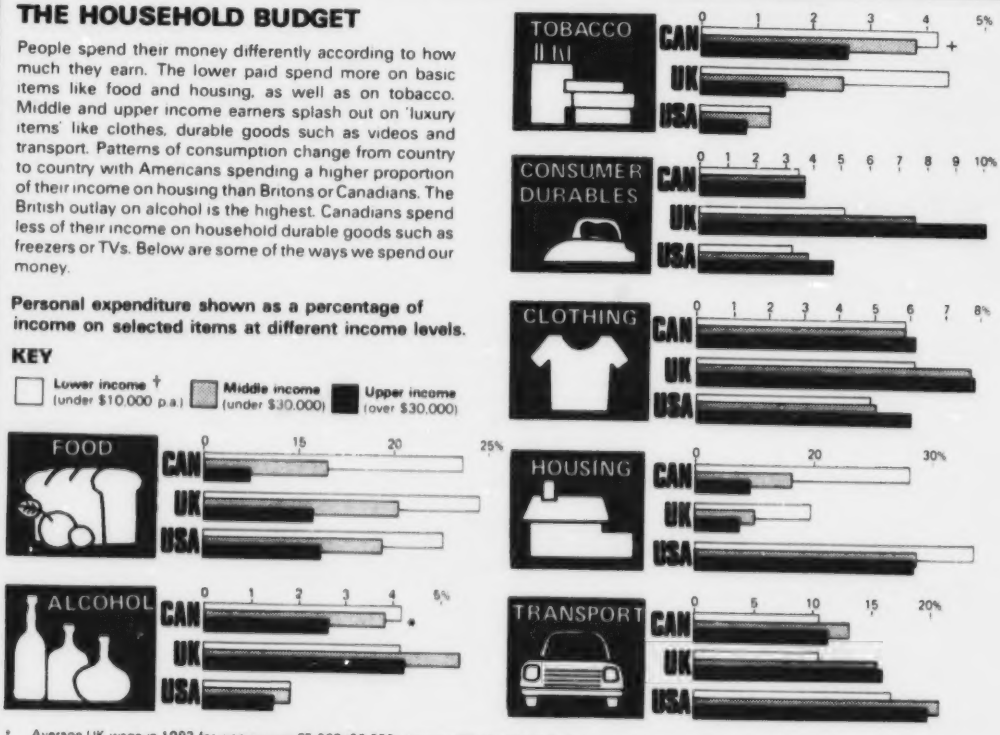
THE HOUSEHOLD BUDGET

People spend their money differently according to how much they earn. The lower paid spend more on basic items like food and housing, as well as on tobacco. Middle and upper income earners splash out on 'luxury items' like clothes, durable goods such as videos and transport. Patterns of consumption change from country to country with Americans spending a higher proportion of their income on housing than Britons or Canadians. The British outlay on alcohol is the highest. Canadians spend less of their income on household durable goods such as freezers or TVs. Below are some of the ways we spend our money.

Personal expenditure shown as a percentage of income on selected items at different income levels.

KEY

Lower income † (under $10,000 p.a.) | Middle income (under $30,000) | Upper income (over $30,000)



† Average UK wage in 1983 for women was £5,668 ($6,632) for men £8,476 ($9,916). Average incomes in the US, Canada and Australia are significantly higher. So 'middle' incomes really refer to North America and would strictly be classified as 'upper' incomes in Britain.

* includes tobacco

+ includes alcohol

Sources: Family Expenditure Survey 1983 US Dept. of Labor Statistics 1981 Statistics of Canada

This article was reproduced here with permission from the *New Internationalist*, Issue No. 147, "The Household Budget," p. 10.

Topic 4: The Mechanics of Budgeting

Main Questions

- How do you set up a household budget?
- What use is a household budget?

Main Ideas

The Main Ideas for this topic are introduced in the video, "The Mechanics of Budgeting" (The Complete Consumer series). This video calls budgeting "planned spending" and gives complete directions for setting up a system for planned spending.

Learning Activities

1. Read through the following questions to get an idea of what is required of you in this activity. Watch the video "The Mechanics of Budgeting," and answer the questions.

   a) Balanced books and budgeting will let you know three things. What are these three things?

   b) The two things a spending plan will tell you are _____ and _____.

   c) Why is it impossible to say, "I'm going to make a budgeting plan and stick to it, no matter what"?

   d) Give at least four examples of expenses you have every month.

   e) In a spending plan, how would irregular expenses (clothing, drugs, insurance, etc.) be handled? These are items that do not have a fixed or regular amount each month. They could be spread out over the year or paid in one lump sum.

f) What are the three savings accounts recommended in this video, and what is each used for?

g) The video ends with this comment, "Planned spending is the accounting system for the business of your life." Does this comment make sense to you? What does it mean? Explain your answer.

2. Watch the video, "The Mechanics of Budgeting." If you would like to plan your spending, follow the budgeting steps outlined in the video. Use the two forms from the video to help you. To get these forms, stop the video when the Monthly Income Summary Form is shown. Copy this form. Try not to leave out any categories. Draw the lines and columns as they are given in the video. Do the same thing for the Monthly Cost of Living Form. Meet with your instructor and prepare a budget for one month (or one week, if you prefer). Try out the budget and report back to your instructor about any difficulties or successes. Write a report on your experience.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 5: Personal Credit

Main Questions

- What is personal credit?
- What kinds of credit are there?
- How does a person obtain credit and manage it?

Main Ideas

The Main Ideas for this topic are presented in the video, "Consumer Economics with Nettie Mooselock: Credit Cards." In this video, Sheldon Pruefrock's landlady, Nettie Mooselock, teaches him about credit.

If you have been thinking about trying to get a credit card or wondered about the details of managing credit, this topic will help you. The topic presents the basic information on personal credit in an entertaining way.

Learning Activities

1. Read the following questions before you view the video, "Consumer Economics with Nettie Mooselock: Credit Cards."

   a) What three kinds of credit cards are talked about in the video?

   b) List the three things Nettie says a person must have before he or she can get credit.

   c) How can a person establish a credit rating? Give two ways this can be done.

   d) What is the first thing you should do when you receive a new credit card in the mail? Why should you do this?

   e) What are "finance charges"?

f) Why do you let a credit card company know immediately if you lose your card? How do you inform them?

g) What is Nettie's advice or rule about using credit?

h) According to Nettie, for how many years should receipts be kept? Why?

i) A person with credit cards should keep a list of information about each card. Name the three most important items a person should include on this list.

j) Is it a good idea to save old credit cards? Why, or why not?

View the video once and then consider or discuss the questions. Answer all the questions you can from your first viewing. Then view the video a second time to fill in any answers you may have missed. Use the Pause button to stop the video when you need time to discuss or note a point.

2. View the video, "Consumer Economics with Nettie Mooselock: Credit Cards."

This video was made in the United States, so the information it presents may not be accurate for Canada as well. Where would you check to find out if the same information applies in B.C.? Brainstorm answers for this question and then decide on a plan that will give you the information in the shortest time. Follow through on your plan. Note in your folder the method you used, the information you gained from your research, and how long it took you to get it. You may wish to check your plan of action with your instructor first.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 6: Debt

Main Questions

- How do people get into debt?
- What is "orderly payment of debt"?
- What alternatives are there for handling debt?

Main Ideas

The Main Ideas for this topic are presented in the article, "What Do You Do When You're Broke?" (*Consumer Education,* Legal Services Society, Schools Program *Newsletter,* June 1987, Volume II, Number 4). This article reviews the various laws and government agencies that deal with debt and suggests what a person in debt can do about it.

Learning Activity

1. Skim the article, "What Do You Do When You're Broke?" Read the following questions. Then, read the article again more slowly and carefully, and consider or discuss the questions. Record your answers.

   a) Give **at least three** reasons why or how people get into debt. Based on your own experience (you may have had a personal experience or had people you know get into debt), consider how common debt is. What have you, or the people you know, done when you/they got in debt too deeply?

   b) What is a "debtor"? What are the symptoms of a debtor in trouble? List these symptoms, from the mildest to the most serious.

   c) List the **three** basic rules of handling debt.

d) What is OPD? Describe OPD.

e) What is a "consolidated debt"? When a debtor pays a consolidated debt, how is the sum set? Who sets it and who is the amount paid to? What happens to the money then? (Some of the terms in this explanation are rather complicated (e.g., *pro rata*), so you may wish to wait and do this activity when your instructor is available to help you.)

f) Explain the **two** most important parts of OPD from a debtor's point of view.

g) What is the difference between bankruptcy and OPD? When would bankruptcy be chosen over OPD, as a way to handle debt?

h) What is the "fundamental purpose and prime objective of the *Bankruptcy Act*"?

i) Explain the difference between being bankrupt and being broke (having no money).

j) Are most personal bankruptcies voluntary or imposed?

k) What is an "assignment," in relation to personal bankruptcy?

l) Why would a person choose to go bankrupt? What happens to a person's legal possessions when he or she is declared bankrupt?

m) Explain a "discharge" in relation to going bankrupt.

n) What debts are not released as a result of a bankruptcy discharge? Name these exceptions and explain them.

o) What provision in the *Bankruptcy Act* means that a discharge releases a person from paying for luxuries, but not from paying for necessities? What does the article, "What Do You Do When You're Broke?" say about this? What do you think about it?

p) What is the likely effect of bankruptcy on a person's credit rating? How long will this last?

q) What is a formal proposal under the *Bankruptcy Act*, and how is it made?

r) Name the **three** things about which a debtor might contact the Ministry of Labour and Consumer Services.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 7: How Advertising Works

Main Questions

- In what ways does advertising encourage us to buy certain products?
- How does advertising encourage us to think in certain ways?

Main Ideas

We are probably all influenced by advertising, but few of us realize just how far that influence goes. The influence and extent of advertising is explored in this topic.

Learning Activity

1. a) Brainstorm the places you might see or be influenced by advertising. Think about how affected you think you are by advertising.

   b) Transfer the following scale into your notes and give it a title. You might call it "The Effect of Advertising on Me," for example.

Not at all affected				Somewhat affected					Very affected
1	2	3	4	5	6	7	8	9	10

   Circle the number that best describes how affected **you** are by advertising.

   c) Look at the titles in the article, "Reading the Ads." These titles list 12 advertising "pitches." From the titles only (don't read the information underneath), try to tell how the advertising pitch appeals to the consumer.

Copy the following chart into your notes. Use it to take notes on the main points of the information under each title.

Name of Advertising Pitch	How the Pitch Works (what it promises)

d) Use newspapers, magazines, radio and T.V. advertisements to find **at least one** example of **each** type of advertising pitch. (You may want to collect examples over a couple of days, or a week.) Paste your examples onto a large sheet of paper. Write a brief explanation below each one. Give your display a title.

If you are working with others, you should each find at least one example of each type of advertising. Then, meet together to discuss your examples. (Make sure that you all agree that the examples chosen are applicable.) As a group, decide on the **best** example of each type of advertising. Make a group display or poster of the best examples, with an explanation of each kind of advertising pitch being used. Give your display a title.

e) Based on your reading and the advertisements you found, how correct was your original rating of how advertising affects you? (Look back at part a) of this activity.) If you think your original rating was incorrect, rate yourself again on a new copy of the scale given in a).

f) Look back at the information in the core topics on advertising (see *Student Manual*, Unit 2: Core Topics, Topic 2: Parts of an Economy, "Economic Forces, Supply and Demand"). How do the kinds of advertising methods described in this article influence an economy? Give **at least** two examples.

Remember to fill in a Topic Evaluation Form for this topic.

Reading the ads

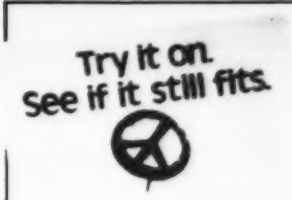
How to interpret the promotional promises that fill newspaper pages

The celebrity scam

A British ad to sell Aynsley china.

If it's good enough for a movie star, sports hero or royalty it must be the right thing for us, too. By buying it we can enter their magical world and leave far behind our own pedestrian concerns about how much it costs and whether it might break.

The nostalgia come-on



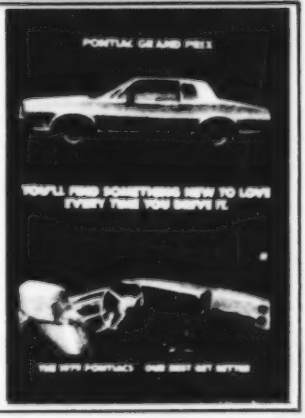
A US ad to raise money for the peace movement.

Such ads remind us of the good old days and propose we can go back to them by buying a product. This example is an alternative ad that appeals to our activist past and to nostalgia for the radical Sixties.

The sexual lure

A Canadian ad designed to sell Pontiac cars.

The object for sale takes on a sensuality. The implicit promise is sexual success for the buyer. Women become confused with objects. Sex and a feeling of power 'behind the wheel' get mixed up together. Ads like this shape our sense of what it's like to be a 'real' man or woman.

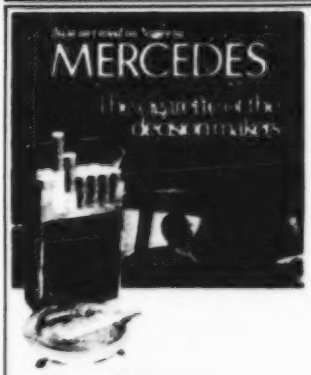


The eye catcher

An ad from the Harvey Winston Co. to sell diamonds.

The picture or graphic dominates in this type of ad. Copy is minimized. Particularly good for selling 'status' goods like furs, diamonds and sports cars. The appeal is simple hedonism – we should stop resisting and embrace the world of luxury to which we all supposedly aspire.

The special person



A Nigerian ad to sell Mercedes cigarettes.

One of the most common of advertising appeals. By using a particular product we enter a select company – more successful, more exciting, more decisive, more attractive. Smoking Mercedes cigarettes sets some Nigerians apart from others – and may even give them the right to tell those 'others' what to do.

The detour

An ad from the South African government to gain greater international respectability.

This school of public relations ads arouses our sense of justice and fair play. What's wrong with Johannesburg anyway? What is notable is what isn't there. Our sense of justice is detoured around the systematic victimization of black people by apartheid South Africa.

The advertising industry spends billions of dollars and employs some very creative minds to mould our behaviour. Some 1,600 messages are aimed at us each day. Through a series of associations of objects and feelings we are encouraged not only to buy but to think about things in particular ways. Here is a decoding of some of the most common advertising messages.

● The 'let's be realistic' con

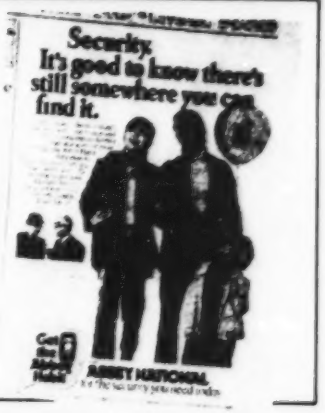
An ad by the American Louisianna-Pacific Paper Company to pressure government to allow the company to use protected wilderness areas.

The 'Let's face the hard facts' school of corporation 'issue' advertising. We just can't afford this concern for ecology/human rights/ the welfare of the poor. 'Hard facts' ads appeal to a dollars and sense logic and reduce issues to either/or.

● The hostile world

A UK ad to attract customers to the Abbey National building society.

This type of ad proposes a dog-eat-dog society. The business of life is a risky one and we can use all the help we can get – deodorants to give us 'protection' or banks and insurance companies that promise to look after us.



● The snappy slogan

A famous US ad for Marlboro cigarettes.

This type of ad uses the slogan or product name (often introduced by a musical jingle) so it will stand out in the consumer's mind. This ad is used in beer or soap commercials where there are many products to choose from. Constant repetition gets the buyer to 'brand-identify' when the time to choose comes.

● The emotional symbol

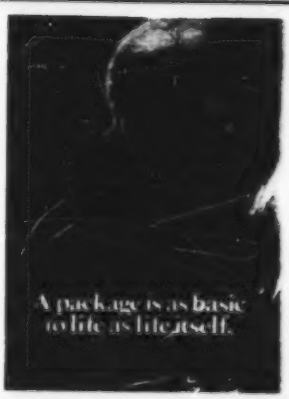
An ad from the Insurance Bureau of Canada to oppose the regulation of insurance companies by the Canadian government.

This school of corporate profile ads uses emotional, evocative symbols that speak to our core values – liberty, freedom, our sense of justice. To get its message across it presents a world of clear rights and wrongs with no shadings of grey. But can the right of large insurance companies to do what they like be equated with the right of a caged dove to flight?

● The natural pitch

An American ad from the Continental Group encouraging other companies to use their packaging.

Perhaps the most seductive of all ads, it speaks to our deep longing to abandon the artificial – to touch something that is real. But how 'natural' can after-shave, perfume or hair spray – let along packaging – actually be?



● Get with it!

A Canadian ad for the aperitif – daiquiri.

The appeal of this type of ad is to be modern and up-to-date. It is often used to introduce a consumer revolution in technology – computers and VTRs, or to appeal to enlightened attitudes such as women's rights. But what is the connection between women's rights and the making of a good daiquiri? Might not daiquiris be a substitute for progress?

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Unit 3
Different Economies

Topic 1: Boom and Bust Economies

Main Questions

- Why was the American economy in the 18th century and early 19th century known as a "boom and bust" economy?
- What happened before and after the 1929 stock market crash?
- Why did the crash happen?

Main Ideas

A "boom and bust" economy is one that goes through cycles of economic health and disaster. The economies of the United States and Canada are classic examples of this. The Main Ideas for this topic are presented in the video, "Boom and Bust" (The Twentieth Century History series).

The video, "Boom and Bust," is an excellent introduction to how people lived and how the economy functioned in the United States at the turn of the century.

Learning Activity

1. Read the following questions before watching the video, "Boom and Bust."

   a) Take notes on the main points made in the video. As you make notes, remember that this film is part of a history series and history is also a part of Social Studies. This video shows life in America from the economic history point of view. Use the dates mentioned in the video as "markers" in your notes. Consider the points you made notes on. If you are working with other people, discuss your notes as a group.

   b) Consider the last ten years in the Canadian economy. If this video was being made about Canada's boom and bust economy over the last ten years, what

points would it make? List as many points as you can and, if possible, discuss your ideas with other people.

c) Are there any similarities between the things that happened during the boom and bust economy shown in this video, and recent events in the Canadian economy? Are there any differences? Consider or discuss your ideas. Make note of **at least two** similarities and **two** differences.

View the video, and consider or discuss the questions. Then, watch the video again and use the Pause button to stop when you want to discuss or take notes. Record your answers.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 2: Forestry in B.C.

Main Questions

- How important is the forestry industry in B.C.'s economy?
- What operations are part of forestry in B.C.?
- What sectors of the economy are involved in these operations?

Main Ideas

British Columbia is rich in many natural resources. Forests are one of these natural resources. Forestry plays a large part in the economy of B.C., so it is important to be aware of its role and how this natural resource is managed. The Main Ideas in this topic are introduced in *Governing Our Forests* (Legal Services Society of British Columbia, revised, 1983), Lesson One: "The Importance of Forestry in B.C."

The diagram in the section "The Importance of Forestry in B.C." (*Governing Our Forests*, p. 13) shows the many ways that one industry within forestry — logging — is part of, and influences the B.C. economy. Forestry is critical to the economy of B.C. You will find out how critical by doing the Learning Activities.

Learning Activity

Read through Lesson One: "The Importance of Forestry in B.C." in *Governing Our Forests* (p. 9), and look at the activities at the end. Before you do the activities, check with your instructor.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 3: Our Economic System

Main Questions

- What economic ideas and terms do we need to know in order to understand how our economy works?
- What are the characteristics of the Canadian economy?

Main Ideas

The article, "Money Management" organizes information on economies in the following manner: What to Produce; How to Produce It; For Whom is it Made?; Competition and Monopoly; Governments; Modern Economic Features; and Art as Well as Science.

This topic expands on two core topics (see the *Student Manual,* Part 2: Core Topics); Topic 2: Parts of an Economy, and Topic 3: Different Economic Systems.

Learning Activity

1. Read the article, "Money Management." Consider or discuss the following questions and record your answers.

   a) What is the definition of economics given in the article, "Money Management"?

   b) Explain this sentence: "The fact that things are scarce brought economics into being."

   c) In what way are we all "producers" and "consumers"?

   d) What are the three questions about the Canadian economy that we answer by voting? How do we vote?

e) Re-read the section, "For Whom is it Made?" Consider or discuss the question at the end of this section. Try to come up with an answer. If you are working in a group, try to agree on an answer to this question.

f) Why don't we have a perfect competitive system?

g) Explain the difference between a "monopoly" and a "cartel."

h) In what ways does the Canadian government affect competition? Give a reason for each way competition is affected.

i) In as few words as possible, describe a mixed economy.

j) Name **three** features of modern economies, and give a short explanation of each.

k) Give two advantages **and** two disadvantages of specialization.

l) List the **four** economists named at the end of the article, and note the key idea for which each is known.

m) Adam Smith is considered the "father" or "grandfather" of modern economics. Given the information about him in this article, how old is the study of economics?

Remember to fill in a Topic Evaluation Form for this topic.

Money management

The economy is made up of a series of related parts; each dependent on the other.

DID YOU EVER sell a three-speed bike because you were moving up to a ten speed; a pair of ice skates at the church rummage sale; a used textbook to a friend one grade behind you; a lamp you turned out in woodworking class?

Whenever you sold something in this way, whenever you bought an article or a service in a store or school, you became part of our economic system.

If everything came in unlimited quantities to be picked up merely for the asking, we would have no need for economics. All goods would be free. However, we live in a world of scarcity where there is only so much food or minerals, or even air and water, to go around. If we grow more wheat we must grow less rye or barley. If we take a trip to Florida we must postpone buying a colour television. If we treat ourselves to Sunday steak we live on hot dogs the rest of the week. Only the very rich seem immune from these decisions, but a little thought will show that they too must make them at a higher level.

The fact that things are scarce brought economics into being. The term comes from the Greek word for "housekeeping" and economics is really the study of how society keeps house on a budget. Here is a simple definition: *Economics is the study of how we choose to use our scarce resources to produce goods and services and distribute them among people for their use.*

Notice the words "produce goods and services". All, or nearly all of us, are at some time producers — we make something or we offer a service. We also use, or consume, what we make ourselves or what someone else makes for us. In school you use the teacher's skills to gain knowledge; you add your own thoughts to that knowledge to produce ideas, either in examinations, or later on, in adult life.

Now let's look a little further into our definition of economics. Making a choice about using our scarce resources really boils down to three questions. What shall we produce (and how much of it)? How shall we go about making it? For whom shall we make it, that is, how shall we distribute it among people?

These questions are answered in our Canadian economy by voting — not by voting for a member of Parliament (though this, too, has an economic effect) but by voting with our dollars in the marketplace.

WHAT TO PRODUCE

Just as in an auction, everything in our economy has a price whether it is labour (wages), land (rents), money (interest), or goods. We bid for what we want by casting votes in dollars. If jeans are more popular than corduroys, or Coke than Fresca, the money votes for these products will attract producers to build bigger plants, hire more workers, and make more of the product. So the consumer is king and determines what is made and how much of it.

The stock exchange is where shares in companies are bought and sold. In this way capital is provided so that industry can expand.

HOW TO PRODUCE IT

Now for the question of how to go about producing goods. This is decided by competition. If people want enough of something, a number of companies will compete for the privilege of selling it and making a profit. To do so they must be efficient and do the job in the cheapest way possible. If oil is cheaper than natural gas as a fuel in a certain area, it will replace gas. If automation gives a saving over manual labour, machines will replace men. If a blend of polyester and cotton has advantages of cost, durability, and shape-holding over pure cotton, it will be substituted. Competitors decide how a product will be made; the most efficient will make the greatest profit, while the least efficient will be driven out of business.

FOR WHOM IS IT MADE?

For whom things are produced is decided again by dollar votes. Whoever can command the highest price for his wages (because of talent or skill); the most rent for his land (because of fertility or mineral wealth); or, the highest interest or profit on his investment, will have most votes and the largest share of production. Those who can only claim a very low price for these services will get the smallest share.

Even in schools we can see signs of this 'for whom' rule. Scholarships go to the gifted, children of the wealthy are privately tutored. Is it possible even today that schools in richer districts attract better teachers and are the first to be equipped with the latest teaching aids?

However, an economic system that depends on prices decided by competition makes no allowance for people who can't compete. Is this unequal distribution of goods ethical?

COMPETITION AND MONOPOLY

Our economic system is basically a competitive one. The competition, however, is far from perfect. To have perfect competition you would need buyers, all of whom were well-informed about the product. No farmer, producer, or labourer could be a big enough part of the total market to have an effect in raising or lowering prices.

This is not the case. Monopolies which control all the production of a commodity exist. When there is a strong demand for its product, the monopoly can set the price. It could be a much higher price than normal competition would allow. Imagine a situation in which an important test is scheduled for next day and you own all the textbooks!

Cartels (when a few large companies get together and decide to fix a high price on their product) are part of the economic scene.

These features of our system alter the workings of a free market and make our competition imperfect.

GOVERNMENTS

Governments, as well as these other elements, have an effect on competition. More and more, society takes the attitude that we are our brothers' keepers, and that government must fill the gaps in equality which we noted earlier. Federal and provincial governments have established a minimum living standard. No one is supposed to fall beneath this level. The unemployed receive welfare. Other groups at a disadvantage, such as the old or the disabled, are given help. Health care is provided. Governments also look after services which private companies couldn't handle very well: national defence, law and order, the courts, to name a few.

Governments cast their dollar votes where they believe the needs are. But they get these dollars through taxes which the citizen must pay. Thus taxes interfere with the free choice a taxpayer would have if he or she were voting with money for a camera or a tape recorder.

Monopoly elements and governments change perfect competition quite a bit. The result is what is called a mixed economy (mostly competitive, but with some monopoly and some controls). Every country whose economy is not controlled by the state has at least some aspects of a mixed economy.

MODERN ECONOMY FEATURES

So far, we have talked about what economics is. Now, let's see if we can sort out the most important features in a modern economic society. There are three of them: capital, specialization, and money.

Capital is another name for wealth and is made up of land, labour, and the buildings and machinery which are used to produce things. The land and labour are natural resources. The buildings and machinery have been produced by man. They can be used not only to produce things but to build other plants and more machines.

To achieve this growth, Canada and other industrial countries must think about the future. Individuals save and invest their savings in companies which want to expand their capital. The companies themselves set aside some of their present profits to add to their future stock of buildings and machines.

Specialization is another vital feature of today's economy. In pre-history every man was a jack-of-all-trades. He built his own house, hunted for his own food, tailored his own clothes, and fashioned everything from cooking utensils to furniture. Later, he discovered that things got done a little better if the man who was good at making spears traded his skills for what he needed from the butcher, the baker, and the candlestick maker.

Then came the industrial revolution of the 18th century and the true age of specialization.

Specialization has the advantages of large-scale production, the added skill that comes from repetition, the time saved in going from one job to another. It has disadvantages, too. One is the deadly boredom felt by workers who must repeat a simple task endlessly. Another is the fact that it makes each of us completely dependent on others. No worker today makes even one finished article; he puts eyelets in shoe uppers, or tightens bolt 682 on an auto sub-assembly line. A breakdown of any link in the production chain stops all work. The caveman managed like a one-celled organism, not very efficient but getting by.

Money is the third important component of modern economics. You will find it discussed on page 6.

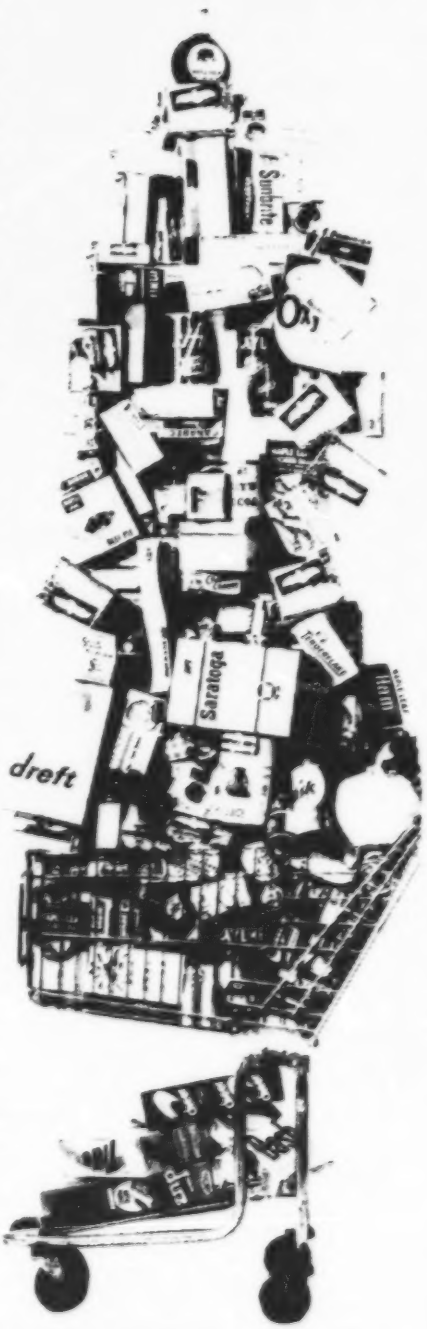
ART AS WELL AS SCIENCE

Economics is an art as much as a science. Economists use statistics and charts to work out their theories but they can never get close to the controlled conditions of a physics laboratory. The reason is that every transaction, no matter how small, has some effect on every other one, whereas in a laboratory experiment every outside influence can be eliminated.

This is probably why economists are notorious for disagreeing with each other. Adam Smith (1723-90) believed in letting private enterprise go its own way with no government interference — an extreme form of capitalism called *laissez-faire*, literally "leave to do". Karl Marx (1818-83) went to the other extreme, with his doctrine that the workers must seize the means of production.

There have been many others with viewpoints in between these two. John Maynard Keynes (1883-1946) wrote a book called "The General Theory of Employment, Interest, and Money" in 1936 which had a great influence on modern economic thought. A present-day economist, Milton Friedman, believes that only the supply of money matters in controlling business cycles.

If economists can agree on anything it is on a definition of their subject similar to the one presented here. With an understanding of what economics is you can now go on to look more closely at how the system works.



We vote for what we want with money. Those with more money are able to buy more goods.

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Topic 4: Land Claims

Main Questions

- On what basis are native Indians claiming the rights to land in Canada?
- To what extent are these claims based on different economic systems?
- What is going on with the Gitksan and Wet'suwet'en land claim cases against the B.C. government?

Main Ideas

In traditional economies, resources are important. However, this importance is very different from the importance placed on resources by standard economies. One reason for this difference is that standard economies do not recognize traditional economies as a form of economic system, and so do not understand the values of that system. In particular, standard economies do not recognize traditional economies as existing within a market economy like Canada's.

Many native groups in Canada practised a traditional economy before the coming of white settlers. These native groups, and native groups in other countries, are involved in long legal battles over aboriginal (native) titles to land. To the native peoples, the land is the most fundamental of resources. It is from the land that they meet all their basic needs. Non-native people have difficulty understanding the native concept of land, land use, and ownership.

Learning Activities

1. Re-read the section on "Traditional Economies" in the *Student Manual,* Part 2, Topic 3: Different Economic Systems. Also, read the article "On Indian Land: The Gitksan-Wet'suwet'en," (Legal Services Society, Schools Program *Newsletter,* April 1987, Volume 11, No. 4, pp. 8 and 9). This article covers native land claims from different points of view. It provides an understanding of the issues involved in land

claims, and how these issues relate to differences in two economic systems. Consider the following questions or discuss them with other people, if possible. Write down the answers.

a) What natural resources are important to the Gitksan and Wet'suwet'en economies? In what ways are these resources important?

b) Translate the names "Gitksan" and "Wet'suwet'en" into English. What do the names tell you about the connection between these two tribes of native people and the land?

c) Explain the importance of the feast in these cultures? What economic role can the feast play? Give an example. What is another name for the feast?

d) How large is the resource base, or territory, recognized by the Gitksan and Wet'suwet'en people as theirs?

e) Describe the first contacts between white people and the two tribes. How much of this contact was economic? Who benefited, and in what ways?

f) Describe at least one conflict between white people and the native people. Explain the cause of it.

g) What is the legal basis of the Gitksan and Wet'suwet'en claims to the land? Why is this an important case for other native people?

h) In this brief history and description of the social structure of the two tribes, you get a sense of the kind of economic system they have now, and have had in the past. Describe that system. You may want to refer back to the *Student Manual,* Part 2: Core Topics, Topic 2: Parts of an Economy. Try to include each part of an economy in your explanation. Explain the importance of land/territory in the economy.

2. Re-read the section on "Traditional Economies" in the *Student Manual,* Part 2, Topic 3: Different Economic Systems. Also, read the article, "On Indian Land: The

Gitksan-Wet'suwet'en," (Legal Services Society, Schools Program *Newsletter,* April 1987, Volume 11, No. 4, pp. 8 and 9).

Find out the current status of the Gitksan-Wet'suwet'en land claim. (At the time of writing these materials, this case is in court.) Work with your instructor or other people to decide how you will find the information you need on the case. Check your final plans with your instructor. Find out as much information as you can.

Remember to fill in a Topic Evaluation Form for this topic.

Topic 5: Profile and Analysis of a Local Economy

Main Questions

- What should be known about a local economy, as background to local or community-based economic development?
- How can the necessary information be gathered?

Main Ideas

Few of us have a clear picture of our local economy, even though we are part of it and affected by it. Community-based economic development starts when a group of people in the community begin to talk and learn about their local economy. This fact-finding or picture-taking stage is the first step in identifying opportunities for community-based economic development.

Certain questions are basic to all economies. These are:

- What can be produced?
- How can it be produced?
- How can the product be distributed?

These questions should be kept in mind when researching a profile of a local economy.

Learning Activities

1. Read the article, "Profile or Analysis of a Local Economy." Brainstorm ideas for where you would collect the information needed for such a profile/analysis. Research and prepare a profile and analysis of your local economy. Begin by asking a librarian to help you find information about your economy. Then contact Statistics Canada and use other resources to find out the necessary information.

Record the results of your analysis in a chart or graph. Put your chart or graph up in your classroom.

2. Read the article, "Profile or Analysis of a Local Economy." Then, invite a local Economic Development Officer to make a presentation to your class on local and regional economic development. If you did Learning Activity 1, brainstorm questions for the speaker on what you have learned. You could give the Economic Development Officer a copy of the results of your research. He or she may be particularly interested in your suggestions for economic development and what you think can be done to make the local economy healthier. Also, you may wish to invite the people who provided you with information for your chart or graph to the presentation as well. They would also be interested in your ideas.

   If you have not done Learning Activity 1, ask the speaker to tell you about any current local economic development. Use the article to help you brainstorm questions to ask the speaker. Remember to send a copy of the questions to the speaker ahead of time so he or she can prepare.

Remember to fill in a Topic Evaluation Form for this topic.

Profile or Analysis of an Economy

Even a small, local economy is complex. So, there are many factors to consider when asking questions about how to develop the local economy. These factors will all be connected to the basic parts of an economy. As you know from the *Student Manual* (Part 2, Topic 2: Parts of an Economy), the basic parts of an economy are

- resources — including raw materials, labour, capital, and energy
- producers and consumer
- the marketplace
- money
- transportation
- private and public sectors.

Each of these basic parts should be included when preparing a profile of a local economy. Keep these basic parts in mind as you read this article.

Analysis of a Local Economy

As stated before, a local economy is complex. This means that to research only a simple profile is not enough for a community-based development of the economy. Figures alone are not enough either; figures and data must be analysed to assess their importance and value. Studying and thinking about information this way is called "analysis." The result of collecting and analysing information about a local economy changes a simple profile to an economic analysis.

When undertaking an analysis of a local economy, the following main headings could be used to group or organize the information as it is collected. (This is only one way the information could be organized.) These are the main headings used in the explanation given in this article. These headings are

1. Labour Force
2. Sectors of the Economy
3. Economic Development
4. Potential for Economic Development and Expansion.

Labour Force

The labour force includes all the men and women who work in the economy. Information about the labour force can be broken down further into the following groups or categories:

a) Size of Labour Force. The size of the labour force can be further broken down into categories indicating the numbers of men and women, and the numbers of worker in each age group. This is called "Labour Force Population Distributed by Age and Sex."

b) Employment/Unemployment Rates. This group includes those people receiving Unemployment Insurance and Social Assistance benefits.

c) The Working Population. This group is described according to occupation, age, and sex.

d) Employment Trends. The employment figures usually go back over the last 24 months, and the trend from those figures is projected for ward to give an idea of what can be expected in the next 12 months. From this information, various questions can be asked and answered. For instance, has employment in various sectors gone up or down over the last two years? What may happen to employment in the next year?
Information on employment trends may be grouped by industry (e.g., Forestry, Mining, Agriculture), or by sector (Industrial, Manufacturing, Service).

e) Working Skills. This describes the various skills available in the community.

Current Economic Picture

The following information must be collected for each major sector of the local economy.

a) The contribution of each sector to the area's economy in the past. Also, how that sector is contributing to the economy at the present time.

b) Major employers — public (hospitals, colleges, highways, ferries) as well as private companies.

c) Recent trends, including businesses that have started up, and any failures.

d) Advantages and disadvantages for development.

Economic Development

Information should be collected on recent attempts to develop the economy. For instance: Who has done what? What was the result? What government programs have put money into the community for economic development? What privately funded economic development has taken place?

Most town councils, municipal governments, and regional districts are active in economic development. Collecting information on recent attempts at economic development involves checking what local committees have been working on in the area, as well as what agencies and organizations have been doing.

Potential for Economic Development and Expansion

For each sector in the economy, the following information is needed so that a local economic profile can be taken (projected) into the future.

a) Markets: the demand for various goods and services.

b) Suppliers of goods and services the local economy may produce or provide.

c) Reasons why particular development might happen, or succeed. This may include:
   - natural resource base. What raw materials are available at a competitive price?
   - closeness to markets and the size of those markets
   - available transport. This should include rail, water, and/or highways, and the costs involved for each type of transportation.
   - available workforce. Does the local workforce have the necessary skills? If not, how can they acquire them?

Ministry of Advanced Education
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